

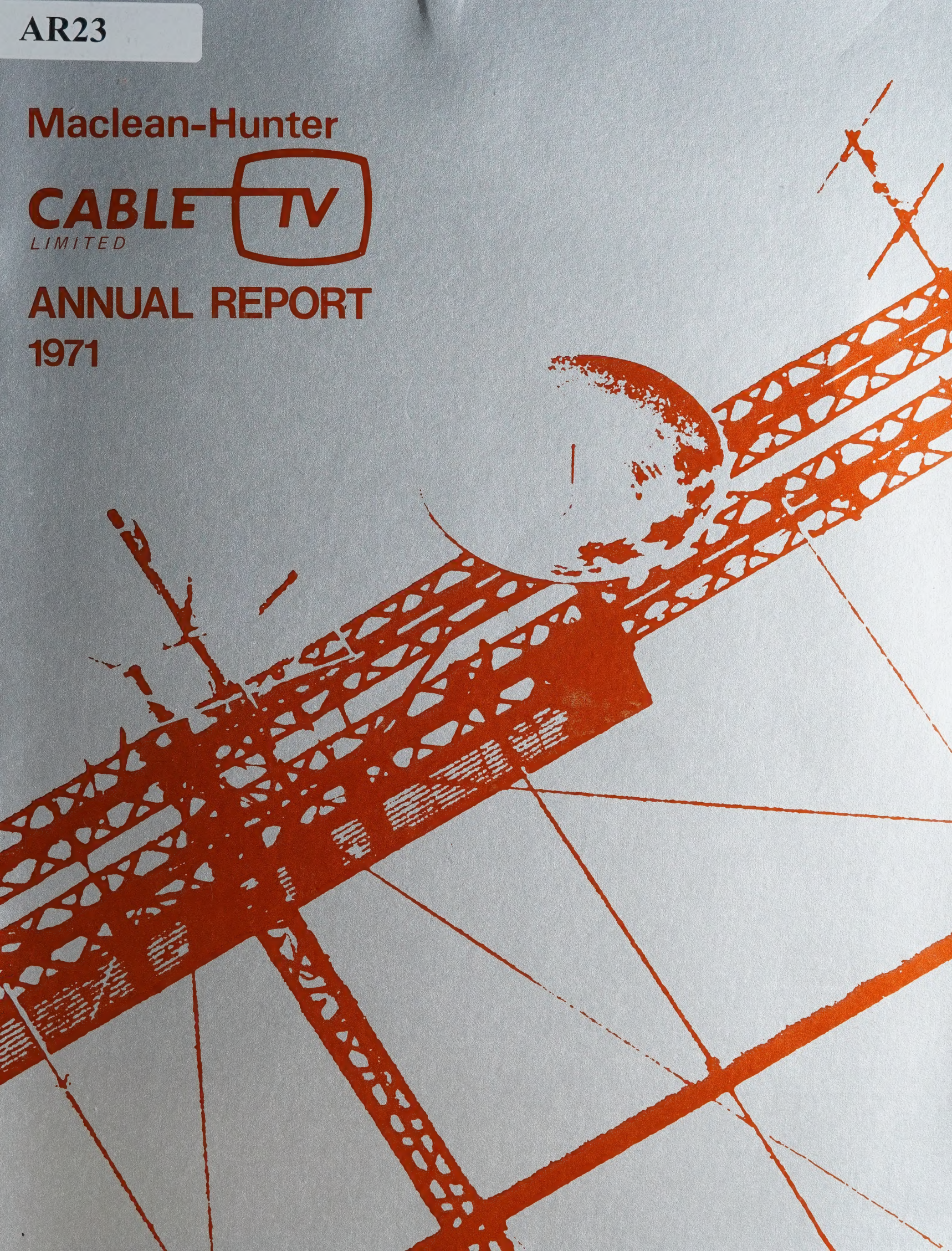
AR23


Maclean-Hunter



ANNUAL REPORT

1971





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Highlights of 1971

	1971	1970	Percentage Increase (Decrease)
Revenue	\$ 7,732,000	\$ 4,930,000	57
Net income for common shareholders			
—total	\$ 588,000	\$ 290,000	102
—per share	31.9¢	16.2¢	96
Cash Flow			
—total	\$ 3,107,000	\$ 2,013,000	54
—per share	\$1.69	\$1.13	50
Total assets	\$21,402,000	\$20,881,000	2
Long-term debt	8,820,000	9,340,000	(6)
Shareholders' equity	8,823,000	8,434,000	5
Households in licensed area	275,000	246,000	13
Households on service	151,000	131,000	15

Officers and directors

*Donald G. Campbell
Chairman of the Board

*W. Gill Bailey

*Frederick T. Metcalf
President

*Lorne R. Clark

J. Barry Gage
Secretary-Treasurer

*Donald F. Hunter

*Gilbert A. Allard

*R. J. Prettie

**Director*

Report to the shareholders

We are pleased to report that 1971 was a record year for your company in practically all areas, including revenue, income and cash flow. A continuing vigorous sales effort produced a healthy 15% increase in subscribers, while increases in costs were kept to a minimum by the introduction of some new controls and the computerization of subscriber data.

Revenue increased by 56% to \$7,732,000 from \$4,930,000 in 1970, while net income for the common shareholders rose 102% to \$588,000 from \$290,000 last year.

The number of subscribers on service increased during the year from 131,000 to 151,000, (15%), although some of the small northern systems experienced a net loss of subscribers. This was caused by the introduction of the second network service in Owen Sound on Channel Two and North Bay on Channel Four. Since the reception in most of our northern systems of Buffalo stations on Channels Two and Four was affected by these new stations, some reaction was expected and steps have been taken to try to minimize it. An application has been filed with the Canadian Radio-Television Commission to provide a microwave feed to North Bay to carry two Buffalo stations and the Hamilton station. We are hopeful that this will be heard at a public hearing some time this year.

Capital expenditures for the year amounted to \$2,171,000. This was attributable mainly to finishing the Toronto and St. Catharines systems and a continued updating of some of the older systems, plus construction to service many new subdivisions in our southern systems, such as London and Guelph.

In November, your company purchased a 50% interest in Phasecom Corporation of Los Angeles, through Peterborough Cable Television Limited. Phasecom specializes in the development and

manufacture of advanced electronic equipment for cable television head ends to improve customer reception. "Phaselocking" involves the use of automatic circuits to match the frequency of one television carrier to another. Application of these techniques results in reduced interference effects in cable television systems.

In December of 1971 your company announced the signing of an agreement to purchase all the shares of AirTel Limited. This was finalized on February 14, 1972, and the operations will be consolidated in 1972. AirTel is the largest radio common carrier company in Canada. Operations consist of mobile radio, personal paging, telephone answering and leasing and maintenance of private mobile radio systems.

Management does not expect either Phasecom or AirTel to materially affect the earnings of your company in 1972. The former because it is projected to break even this year, and the latter because of measures to be taken to consolidate and assimilate it into our operations. Both are expected to contribute in future years.

At a public hearing of the CRTC in December, your company applied for an extension of its licensed area in Mississauga and for a new license to operate a cable system in the town of Whitby. The commission denied the application for Whitby in its decision of March 29, 1972. It had, however, previously announced on March 23, 1972, that your company was one of five successful applicants for a portion of the town of Mississauga. This will add a further 12,000 homes and apartment suites to our potential in the Toronto area. Planning and engineering are underway, with construction expected to begin this summer.

On December 31, 1971, the CRTC announced the denial of an application which would have linked together the apartment buildings in To-

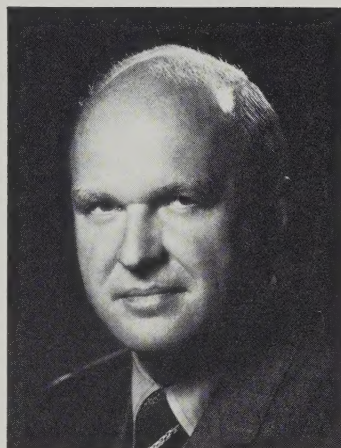
ronto. Your company is now negotiating, in conjunction with the other Toronto cable operators, an agreement to sign up these apartments for cable service. We are optimistic that these efforts will result in a substantial number of new connections in 1972.

On July 16, 1971, the CRTC issued a "Policy Statement on Cable Television" after holding a public hearing on the subject in April of 1971. On balance this document would appear to be favorable to the operations of your company as it resolves many areas of doubt regarding the possible severity of regulations which had been discussed previously. Your company is exploring all possible areas of cooperation with Canadian broadcasters in a continuing effort to promote these CRTC policies.

The major thrust of our research and development efforts last year (and continuing this year) was toward the development of more channel capacity on the cable and the possible inauguration of Pay-TV and other related extra services. It is our hope that 1972 will see a breakthrough in some of these areas which could have a significant impact on the future of your company.

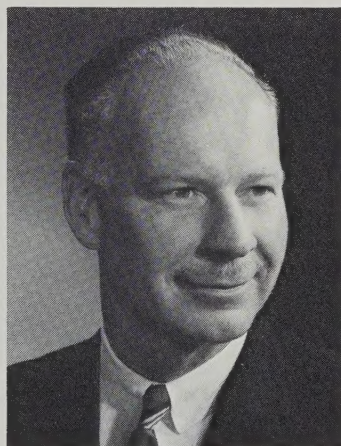
The gratifying results which we have been able to report for the past year have only been achieved by the wholehearted cooperation and hard work of all the employees. Your Board of Directors recognizes this and thanks all the staff most sincerely.

On behalf of the Board



A handwritten signature in cursive script, appearing to read "J. J. Murphy".

CHAIRMAN



A handwritten signature in cursive script, appearing to read "J. J. Murphy".

PRESIDENT

Areas served by Maclean-Hunter Cable TV Limited

As at December 31, 1971, the company was licensed to operate in 17 communities containing a total of approximately 275,500 households. This total will be augmented in 1972 by an additional area being added to our license in Mississauga. Construction in this new area should be underway before August, 1972.

SYSTEM	HOUSEHOLDS IN LICENSED AREA	SUBSCRIBERS ON SERVICE		
			%	
	AT DEC. 31/71	At Dec. 31/71	Penetration	At Dec. 31/70
Toronto (Combined Areas)	92,000	34,717	37.7	23,843
Thunder Bay	28,000	21,928	78.3	21,637
St. Catharines	29,000	7,790	26.9	5,886
London	25,000	19,281	77.1	16,826
Guelph	18,000	14,840	82.4	13,458
Peterborough	17,000	14,691	86.4	13,822
Sarnia	18,000	10,581	58.8	8,567
Hamilton	13,000	8,915	68.6	7,924
North Bay	15,000	4,437	29.6	5,207
Owen Sound	8,000	5,124	64.1	5,515
Midland	5,000	4,502	90.0	4,597
Wallaceburg	3,000	553	18.4	476
Collingwood	3,000	2,274	75.8	2,316
Huntsville	1,500	1,271	84.7	1,338
	<u>275,500</u>	<u>150,904</u>	<u>54.8</u>	<u>131,412</u>



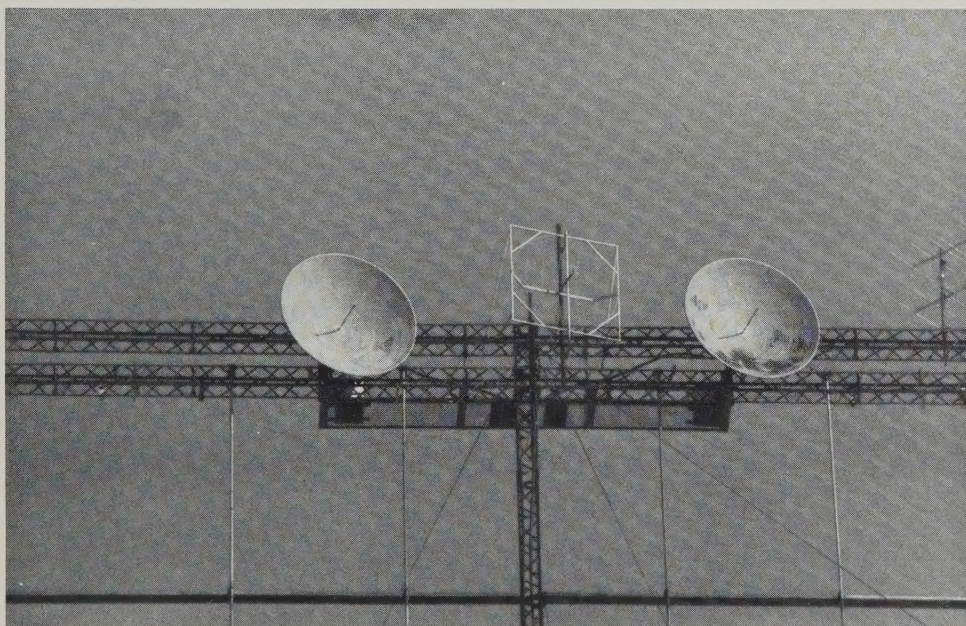
M-H Cable TV offices in the city of Thunder Bay, Ont, our most recently acquired system.

Consolidated Statement of Income

FOR THE YEAR ENDED DECEMBER 31, 1971
(with comparative figures for 1970)

	1971	1970
REVENUE	\$7,732,000	\$4,930,000
Operating expenses, except depreciation	3,601,000	2,372,000
Income from operations before the following	4,131,000	2,558,000
Depreciation	1,455,000	1,015,000
Interest on long-term debt (excluding interest charged to construction in 1970 (note 3(a)))	817,000	335,000
Gain on redemption of debentures	(1,000)	(42,000)
Minority interest	75,000	48,000
	2,346,000	1,356,000
Income before income taxes	1,785,000	1,202,000
Income taxes	939,000	650,000
CONSOLIDATED NET INCOME FOR THE YEAR	\$ 846,000	\$ 552,000
Earnings per common share (after provision for preference share dividends)	32¢	16¢

(See accompanying notes)



The head end of the antenna serving Thunder Bay, which also served as the theme for the cover illustration of this report.

Consolidated Statements of Retained Earnings and Contributed Surplus

FOR THE YEAR ENDED DECEMBER 31, 1971
(with comparative figures for 1970)

	1971	1970
RETAINED EARNINGS		
Balance, beginning of year	\$ 520,000	\$ 252,000
Add consolidated net income for the year	<u>846,000</u>	<u>552,000</u>
	1,366,000	804,000
Deduct dividends declared on preference shares	<u>257,000</u>	<u>284,000</u>
Balance, end of year	<u>\$1,109,000</u>	<u>\$ 520,000</u>
CONTRIBUTED SURPLUS		
Balance, beginning of year	\$2,171,000	\$ 893,000
Add:		
Premium on issue of common shares		1,240,000
Gain on redemption of preference shares	<u>20,000</u>	<u>116,000</u>
	2,191,000	2,249,000
Deduct financing costs written off (net after tax reduction of \$89,000)	<u> </u>	<u>78,000</u>
Balance, end of year	<u>\$2,191,000</u>	<u>\$2,171,000</u>

(See accompanying notes)

Consolidated Statement of Source and Application of Funds

FOR THE YEAR ENDED DECEMBER 31, 1971
(with comparative figures for 1970)

SOURCE OF FUNDS:	1971	1970
Operations —		
Consolidated net income for the year	\$ 846,000	\$ 552,000
Add items included in arriving at net income that did not involve an outlay of funds:		
Depreciation	1,455,000	1,015,000
Deferred income taxes	732,000	440,000
Gain on redemption of debentures	(1,000)	(42,000)
Minority interest	75,000	48,000
Total funds from operations (cash flow)	3,107,000	2,013,000
Proceeds from public financing		13,379,000
Bank loan (note 2)		2,600,000
Other		34,000
Decrease in working capital	209,000	173,000
	<u>\$3,316,000</u>	<u>\$18,199,000</u>
APPLICATION OF FUNDS:		
Repayment of advances from parent company		10,220,000
Additions to properties (note 3)	2,171,000	4,756,000
Amounts paid in excess of book value of net assets of predecessor businesses acquired		1,971,000
Redemption of debentures (note 4)	519,000	318,000
Redemption of preference shares	200,000	584,000
Dividend declared on preference shares	257,000	284,000
Minority interest dividends and share redemptions	71,000	31,000
Purchase of investments	98,000	35,000
	<u>\$3,316,000</u>	<u>\$18,199,000</u>

(See accompanying notes)

Maclean-Hunter Cable TV Limited

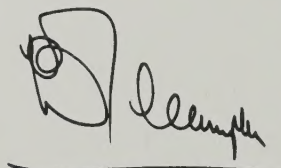
(Incorporated under the laws of Ontario) and its subsidiaries

Consolidated Statement of Financial Position

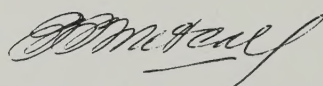
DECEMBER 31, 1971 (with comparative figures at December 31, 1970)

ASSETS	1971	1970
CURRENT:		
Cash	\$ 419,000	\$ 30,000
Marketable securities, at cost which is approximately market value	26,000	676,000
Accounts receivable, pledged against bank loans	477,000	450,000
Inventories of repair parts, at lower of cost and replacement cost	19,000	93,000
Prepaid expenses	91,000	76,000
	<u>1,032,000</u>	<u>1,325,000</u>
INVESTMENTS, AT COST	<u>133,000</u>	<u>35,000</u>
PROPERTIES (note 3):		
Buildings	144,000	132,000
Towers and transmission facilities	15,175,000	13,081,000
Equipment	981,000	923,000
Total, at cost	16,300,000	14,136,000
Less accumulated depreciation	3,978,000	2,528,000
	<u>12,322,000</u>	<u>11,608,000</u>
Land, at cost	68,000	66,000
	<u>12,390,000</u>	<u>11,674,000</u>
Excess of cost of acquiring predecessor businesses over book value of net assets acquired	7,847,000	7,847,000
	<u>\$21,402,000</u>	<u>\$20,881,000</u>

On behalf of the Board:



Director



Director

(See accompanying notes)

LIABILITIES

1971

1970

CURRENT:

Bank indebtedness of subsidiary company	\$ 250,000	\$ 350,000
Accounts payable and accrued charges	876,000	943,000
Income and other taxes payable	54,000	130,000
Dividend payable on preference shares	64,000	68,000
Unearned subscriber revenue	894,000	731,000
	<u>2,138,000</u>	<u>2,222,000</u>

LONG-TERM DEBT:

Bank loan (note 2)	2,600,000	2,600,000
9% Sinking Fund Debentures series A due January 30, 1980 (note 4)	6,220,000	6,740,000
	<u>8,820,000</u>	<u>9,340,000</u>

DEFERRED INCOME TAXES

1,334,000	602,000
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MINORITY INTEREST in subsidiary companies (note 5)

287,000	283,000
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SHAREHOLDERS' EQUITY:

Capital stock (notes 4, 6 and 8)	5,523,000	5,743,000
Contributed surplus	2,191,000	2,171,000
Retained earnings (note 7)	1,109,000	520,000
	<u>8,823,000</u>	<u>8,434,000</u>
	<u>\$21,402,000</u>	<u>\$20,881,000</u>

Auditors' Report

To the Shareholders of Maclean-Hunter Cable TV Limited:

We have examined the consolidated statement of financial position of Maclean-Hunter Cable TV Limited and its subsidiaries as at December 31, 1971, and the consolidated statements of income, retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records

and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada.

February 15, 1972

CLARKSON, GORDON & CO.

Chartered Accountants

Notes to Consolidated Financial Statements December 31, 1971

1. Consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries, Peterborough Cable Television Limited (75% owned) and Huron Cable TV Limited (66% owned).

2. Bank Loan

The bank loan, bearing interest at the prime rate plus one and one-half percent per annum, is evidenced by demand notes but arrangements have been made with the company's bankers for refinancing beyond 1972.

3. Properties

- (a) The company follows the policy of capitalizing, as part of the cost of towers and transmission facilities, related development and pre-start up costs and interest costs incurred during construction. No such costs were capitalized in 1971. Costs capitalized in 1970 amounted to \$655,000 in development and start up costs and \$234,000 in interest.
- (b) Transmission facilities include \$4,701,000 of assets paid for by the company but held under leases from public utility companies with original minimum terms of 10 years.
- (c) The cost of depreciable property is being written off as follows:

Buildings, towers and transmission facilities.....	10% straight line
Community programming equipment.....	20% straight line
Vehicles.....	30% declining balance
Other equipment.....	10% straight line

4. Retirement of debentures and preference shares

Provisions of the trust indenture pursuant to which the sinking fund debentures were issued and provisions attaching to the first preference shares require principal amounts thereof to be retired annually through sinking fund, redemption or purchase for cancellation from 1971 to 1980 as follows:

Sinking fund debentures — \$350,000 in 1971,

\$750,000 annually thereafter to 1979 and \$1,150,000 in 1980

First preference shares — \$460,000 (23,000 shares)

As \$1,100,000 principal amount of debentures and \$920,000 par value of preference shares (46,000 shares) have been redeemed since the date of issue (\$740,000 of debentures and 11,000 preference shares in 1971), all requirements for 1971 and 1972 have been met. Debentures redeemed since the date of issue include \$220,000 held by a subsidiary company.

5. Minority interest

The minority interest in subsidiary companies comprises the following:

	1971	1970
Advances	\$ 97,000	\$ 97,000
Preference shares		20,000
	<u>97,000</u>	<u>117,000</u>
Common shares and retained earnings	<u>190,000</u>	<u>166,000</u>
	<u>\$287,000</u>	<u>\$283,000</u>

6. Capital stock

At December 31, 1971, the company's capital stock, after the redemptions thereof described in note 4, is as follows:

Authorized:	1971	1970
704,000 Cumulative re-deemable first preference shares with a par value of \$20 each, issuable in series		
3,000,000 common shares without par value		
Issued:		
184,000 7% cumulative redeemable first preference shares, series A	\$3,680,000	\$3,900,000
1,842,500 common shares	<u>1,842,500</u>	<u>1,842,500</u>
	<u>\$5,522,500</u>	<u>\$5,742,500</u>

7. Dividend restrictions

The trust indenture securing the 9% debentures contains certain covenants related to the payment of dividends on common shares, the effect of which precludes the payment of dividends thereon unless, at the date at which such action is contemplated, consolidated net income for a consecutive period of 12 of the preceding 18 months was at least as great as the sum of:

- (a) twice the maximum dividend requirements on all preference shares outstanding in the fiscal year in which action is taken, and
- (b) the maximum which may be required to be paid in the year ending on January 30 in which action is taken to meet mandatory retirement obligations on the preference shares in that year, less any credit for shares previously purchased for cancellation or redeemed in respect of that year.

Additionally, after making a dividend payment, consolidated shareholders' equity may not be less than the then outstanding principal amount of the 9% debentures.

8. Share transfer restriction

The company has the right to refuse to register a transfer of any shares in the capital of the company to a non-resident that may in the opinion of the directors adversely affect the status of the company under the licencing provisions of the Broadcasting Act of Canada.

9. Commitments

Leases:

Leases from Bell Canada and other public utility companies of transmission facilities paid for by the company call for payments of \$362,000 per annum over minimum original terms of 10 years or less. The company is committed under a building lease to an annual rental of \$26,000 until 1984.

Investments:

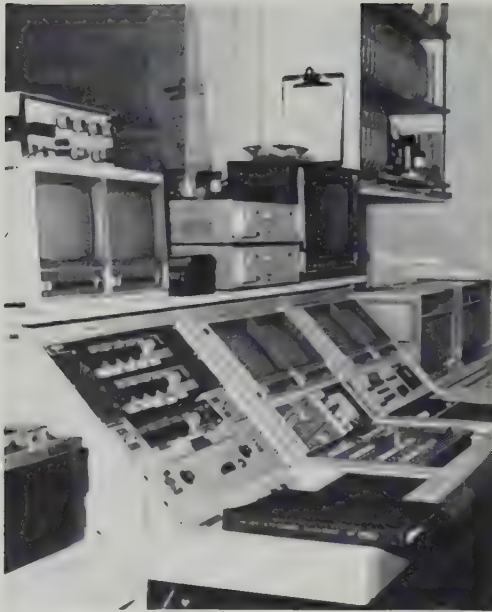
Investments include \$80,000 representing a payment on account in connection with the

company's agreement to acquire a 50% interest in an equipment manufacturing company at an initial investment of \$203,500 plus a payment in 1975 related to the 1974 profits of the company.

Subsequent to December 31, 1971, your company acquired a communications company with net assets of \$452,000 for a cash consideration of \$980,000.

10. Statutory information

The aggregate direct remuneration of directors and senior officers (as defined in the Business Corporations Act, Ontario) amounted to \$147,000 in 1971 and \$148,000 in 1970.



Control panel for a community programming studio.



Studio facilities for community programming.

Head end tower serving the Toronto area systems.



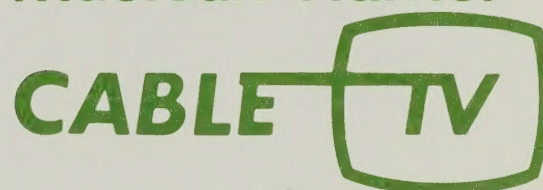
End view of our parabolic long-distance-reception antenna at Midland, Ont., one of the most advanced designs in Canada. This antenna actually combines three receiving systems; two of the parabolics receive the relatively weak Buffalo signals and phase out the strong local signal; the third receives French-language programs from Sturgeon Falls.





AR23

Maclea-Hunter



*Report for the six months
ended June 30, 1971*

MACLEAN-HUNTER CABLE TV LIMITED
CONSOLIDATED STATEMENT OF INCOME (not audited)

	Three months ended June 30		Six months ended June 30	
	1971	1970	1971	1970
Revenue	\$1,912,012	\$1,160,486	\$3,709,742	\$2,351,396
Income before the following	972,621	700,189	1,885,029	1,334,008
Depreciation	361,778	244,162	710,725	459,730
Interest	200,220	110,134	409,786	264,082
Gain on redemption of debentures	(1,263)	(32,925)	(1,263)	(40,738)
Minority interest	17,202	12,651	34,338	24,538
Income taxes	219,988	190,477	409,003	329,286
	<u>797,925</u>	<u>524,499</u>	<u>1,562,589</u>	<u>1,036,898</u>
Consolidated net income	174,696	175,690	322,440	297,110
Preferred dividend	64,401	73,966	129,909	125,300
Consolidated net income for common shareholders	<u>\$ 110,295</u>	<u>\$ 101,724</u>	<u>\$ 192,531</u>	<u>\$ 171,810</u>
Income per share	5.9c	5.6c	10.4c	9.9c
Cash flow				
Total	<u>\$ 713,140</u>	<u>\$ 498,466</u>	<u>\$1,353,040</u>	<u>\$ 926,498</u>
Per share	38.7c	27.1c	73.4c	53.2c

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS (not audited)

Source of Funds	Six months ended June 30	
	1971	1970
Operations:		
Consolidated net income for the period	\$ 322,000	\$ 297,000
Depreciation	711,000	460,000
Deferred income taxes	287,000	186,000
Minority interest	34,000	24,000
Gain on redemption of debentures	(1,000)	(41,000)
Total funds from operations	<u>\$1,353,000</u>	<u>\$ 926,000</u>
Proceeds from public financing	\$13,487,000
	<u>\$1,353,000</u>	<u>\$14,413,000</u>
Application of Funds		
Addition to properties	\$ 922,000	\$ 1,725,000
Addition to investments	13,000
Repayment of advances from parent company	10,220,000
Redemption of debentures	184,000	309,000
Redemption of preferred shares	200,000	430,000
Preferred share dividend	107,000	125,000
Minority interest in dividend of subsidiary	25,000
	<u>\$1,451,000</u>	<u>\$12,809,000</u>
Decrease (increase) in funds	\$ 98,000	\$ (1,604,000)
Working capital deficit at beginning of year	897,000	645,000
Working capital deficit at end of period	<u>\$ 995,000</u>	<u>\$ (959,000)</u>
Represented by:		
Current liabilities	\$1,830,000	\$ 1,591,000
Less current assets	835,000	2,550,000
	<u>\$ 995,000</u>	<u>\$ (959,000)</u>

Dear Shareholder:

The following are the unaudited results for the second quarter and first six months of 1971. Revenue for the quarter increased to \$1,912,012 from \$1,160,486 in 1970, and for the six months to \$3,709,742 from \$2,351,396 last year.

Consolidated net income for the quarter was \$110,295 or 5.9c per share compared with \$101,724 or 5.6c in 1970. For the six months net income increased to \$192,531 from \$171,810 a year ago, or 10.4c from 9.9c per common share.

Traditionally, subscriber sales are slower in the second and third quarters than the first and fourth quarters, however, we have gained almost 3,000 subscribers in the last three months, showing our total homes connected at 141,900 at the end of June.

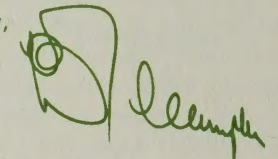
On July 16, 1971, the Canadian Radio-Television Commission issued a "Policy Statement on Cable Television" after holding a public hearing on the subject in April of this year.

This 41-page document is under study by your management and Board. It contains many new and far-reaching policies and while we are sympathetic to the aims of the Commission there are many problems which will only be resolved after much discussion. Since these policies do not appear to take effect until September, 1972, this should provide the time necessary for further study, discussion and clarification.

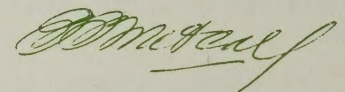
Since there has been much publicity in the press regarding "payments by cable operators to broadcasters", shareholders will be encouraged by the following comment from page 31: "Strengthening of cable television, and its benefits to the public, is vital if this important element of broadcasting is to play its part in the 'single system'. The Commission will therefore encourage the development of cable television."

We look forward to a continuing good year of growth and profitability.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. L. Thompson", written over a horizontal line.

Chairman of the Board

A handwritten signature in dark ink, appearing to read "J. M. Taylor", written over a horizontal line.

President